

WEIL, GOTSHAL & MANGES LLP
700 Louisiana Street, Suite 1600
Houston, Texas 77002
Telephone: (713) 546-5000
Facsimile: (713) 224-9511
Alfredo R. Pérez

Attorneys for Debtors
and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X	
In re	: Chapter 11
LEHMAN BROTHERS HOLDINGS INC., <i>et al.</i> ,	: Case No. 08-13555 (JMP)
Debtors.	: (Jointly Administered)
-----X	

**NOTICE OF DECLARATION OF JEFFREY FITTS IN SUPPORT OF
LEHMAN BROTHERS HOLDINGS INC.'S AND LEHMAN COMMERCIAL
PAPER INC.'S MOTION PURSUANT TO BANKRUPTCY RULE 9019 TO
ENTER INTO THE RELEASE AND TERMINATION OF LOAN AGREEMENT
AND OTHER DOCUMENTS WITH TS BOSTON CORE HOLDINGS, L.P.;
125 HIGH JUNIOR MEZZ, L.P.; ONE FEDERAL INTERMEDIATE MEZZ, L.P.;
ONE FEDERAL JUNIOR MEZZ, L.P.; AND OTHER BORROWER AFFILIATES**

PLEASE TAKE NOTICE that, on July 27, 2010, Lehman Brothers Holdings Inc. and Lehman Commercial Paper Inc., and their affiliated debtors in the above-referenced chapter 11 cases, as debtors and debtors in possession (collectively, the "Debtors") filed their *Motion Pursuant to Bankruptcy Rule 9019 to Enter Into the Release and Termination of Loan Agreement and Other Documents with TS Boston Core Holdings, L.P.; 125 High Junior Mezz, L.P.; One Federal Intermediate Mezz, L.P.; One Federal Junior Mezz, L.P.; and Other Borrower Affiliates* [Docket No. 10462].

PLEASE TAKE FURTHER NOTICE that, on August 16, 2010, the Debtors filed the attached *Declaration of Jeffrey Fitts in Support of Lehman Brothers Holdings Inc.'s and*

Lehman Commercial Paper Inc.'s Motion Pursuant to Bankruptcy Rule 9019 to Enter Into the Release and Termination of Loan Agreement and Other Documents with TS Boston Core Holdings, L.P.; 125 High Junior Mezz, L.P.; One Federal Intermediate Mezz, L.P.; One Federal Junior Mezz, L.P.; and Other Borrower Affiliates.

Dated: August 16, 2010
Houston, Texas

/s/ Alfredo R. Pérez
Alfredo R. Pérez
WEIL, GOTSHAL & MANGES LLP
700 Louisiana Street, Suite 1600
Houston, Texas 77002
Telephone: (713) 546-5000
Facsimile: (713) 224-9511

Attorneys for Debtors
and Debtors in Possession

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X	
	:
In re	: Chapter 11
	:
LEHMAN BROTHERS HOLDINGS INC., et al.,	: Case No. 08-13555 (JMP)
	:
Debtors.	: (Jointly Administered)
	:
-----X	

**DECLARATION OF JEFFREY FITTS IN SUPPORT OF
LEHMAN BROTHERS HOLDINGS INC.'S AND LEHMAN COMMERCIAL
PAPER INC.'S MOTION PURSUANT TO BANKRUPTCY RULE 9019 TO
ENTER INTO THE RELEASE AND TERMINATION OF LOAN AGREEMENT
AND OTHER DOCUMENTS WITH TS BOSTON CORE HOLDINGS, L.P.;
125 HIGH JUNIOR MEZZ, L.P.; ONE FEDERAL INTERMEDIATE MEZZ, L.P.;
ONE FEDERAL JUNIOR MEZZ, L.P.; AND OTHER BORROWER AFFILIATES**

Pursuant to 28 U.S.C. § 1746, I, Jeffrey Fitts, declare:

1. I am a Managing Director with Alvarez & Marsal Real Estate Advisory Services (“A&M”). I submit this declaration (this “Declaration”) in support of *Lehman Brothers Holdings Inc. 's and Lehman Commercial Paper Inc. 's Motion Pursuant to Bankruptcy Rule 9019 to Enter into the Release and Termination of Loan Agreement and Other Documents with TS Boston Core Holdings, L.P.; 125 High Junior Mezz, L.P.; One Federal Intermediate Mezz, L.P.; One Federal Junior Mezz, L.P.; and Other Borrower Affiliates* (Docket No. 10462, the “Motion”),¹ filed in the above-captioned chapter 11 cases of Lehman Brothers Holdings Inc. (“LBHI”), Lehman Commercial Paper Inc. (“LCPI”), and their affiliated debtors, as debtors in possession (together, the “Debtors” and collectively with their non-debtor affiliates, “Lehman”).

2. I have more than 19 years of experience in assisting insolvent and troubled companies, with a focus on operational and financial restructuring efforts. Prior to joining

¹ Defined terms used but not defined herein shall have the meanings ascribed to such terms in the Motion.

A&M, I was a Managing Director with GE Commercial Finance (“GE”), where I led GE’s Distressed Debt and Alternative Investment Group and managed complex distressed credits. Before joining GE, I was with the Corporate Workout Division of Citicorp, where I spent three years managing investment grade and middle market corporate workouts. I began my career in 1990 as a workout officer and, later, an asset manager with Citicorp Real Estate, where I managed more than \$1 billion of office, retail, and industrial projects. I received a bachelor’s degree from the University of Delaware in 1988.

3. I was assigned to the representation of Lehman in September 2008. I currently serve as the Co-Head of Lehman’s real estate group (the “Real Estate Group”). My primary responsibility includes the day-to-day management and oversight of the Real Estate Group’s portfolio, including management and oversight of the real estate, real estate finance and related activities that are the subject of the Motion and this Declaration. As Co-Head of the Real Estate Group, I oversee a number of Lehman employees who have been actively involved in finalizing the terms of the transactions described in this Declaration and in the Motion.

The One Fed and 125 High Street Related Loans

A. The One Fed Related Loans

4. On June 1, 2006, LBHI made an acquisition loan of \$373,500,000 to One Fed Mortgage Borrower (as defined in the Release Agreement) that was collateralized by an office building (“One Fed”) known as One Federal Street in downtown Boston, Massachusetts.

5. The Acquisition Loan was subsequently partitioned into a \$262,000,000 securitized mortgage, a \$49,000,000 senior mezzanine loan, a \$62,500,000 intermediate mezzanine loan (the “Mezz B Loan”), and a \$25,000,000 unfunded junior mezzanine loan (the “Junior Mezz Loan”).

6. The Mezz B Loan was subsequently subdivided into two parts, a \$35,000,000 senior note (the “Mezz B Senior Note”), and a \$27,500,000 junior note (the “Mezz B Junior Note”). On May 6, 2010, the Mezz B Senior Note was sold to a third party entity at a discount to its par value.

7. LCPI remains the lender of record with respect to the Mezz B Junior Note, subject to the purported interest of the Restructured Asset Securities with Enhanced Returns Series 2007-A Trust and 2007-7-MM Trust (collectively “RACERS”).² As such, LCPI is currently the controlling lender with respect to the Mezz B Loan.

8. The debt service payments relating to the Acquisition Loan are current. However, certain lease rollovers over the next nine months may potentially create debt service shortfalls that could force LBHI and LCPI, pursuant to provisions in the applicable underlying loan documents, to either purchase the Mezz B Senior Note, or be replaced as the controlling lender with respect to the Mezz B Loan. If LCPI is replaced as the controlling lender with respect to the Mezz B Loan, then it could potentially lose its rights based on its status as holder of the Mezz B Junior Note and could face foreclosure by a senior lender.

B. The 125 High Street Related Loans

9. On July 31, 2006, LBHI made a \$365,000,000 mortgage loan, a \$82,000,000 mezzanine A loan, a \$82,000,000 mezzanine B loan, and a \$30,000,000 unfunded mezzanine C loan (the “125 Mezz C Loan”), to certain special purpose entities (as listed in the Release Agreement). Each of these loans were secured by a property (“125 High Street”) located at 125 High Street in downtown Boston, Massachusetts.

² For detailed description of RACERS, see *Motion of Lehman Brothers Holdings Inc. and Lehman Commercial Paper Inc. Pursuant to Section 363 of the Bankruptcy Code to Amend the RACERS Transaction Documents and Terminate Certain RACERS Transaction Documents* (Docket No. 10464).

10. Subsequently, LBHI transferred its interest in all such loans, except LBHI's interest with respect to the 125 Mezz C Loan, which remains unfunded.

The Release Agreement

A. Material Provisions of the Release Agreement

11. The Release Agreement contemplates that LBHI and LCPI will, among other things, release all of their interest in the collateral securing the Mezz B Junior Note, the Junior Mezz Loan, and the 125 Mezz C Loan in exchange for (i) the Payoff Amount, (ii) a release of any and all claims held by the Borrowers and other Borrower Affiliates (each as defined in the Release Agreement), including claims relating to the unfunded Junior Mezz Loan and 125 Mezz C Loan, and (iii) withdrawal of unliquidated Proofs of Claim Nos. 27387 and 27389 filed by 125 High Junior Mezz, L.P. and One Federal Junior Mezz, L.P., respectively.

12. Additionally, under the Release Agreement, LCPI will provide a limited indemnity solely for the purposes of defending and holding harmless the Borrower Affiliates (as defined in the Release Agreement) from and against any and all loss, liabilities, damages, claims, costs and expenses (including without limitation, attorneys' fees and disbursements) arising out of, resulting from, or associated in any way with a claim made by RACERS or any party with an interest in, through, or under RACERS, (i) asserting such party holds or controls a direct or indirect legal or beneficial interest in the Mezz B Junior Note, (ii) challenging the authority or right of LCPI to enter into the Release Agreement, perform any of its respective obligations thereunder, or otherwise consummate the transactions contemplated thereunder, or (iii) otherwise related to the Mezz B Junior Note, the Release Agreement or the transactions contemplated thereby.

13. The limited indemnity being provided by LCPI will not be effective unless all of the transactions contemplated by the Release Agreement occur on or before September 30, 2010.

B. The Release Agreement is in the Debtors' Best Interests

14. Beginning in June 2010, representatives of TS Boston Core Holdings, L.P. (the "Joint Venture") approached LBHI and LCPI seeking to purchase LCPI's interest in the Mezz B Junior Note. Following arm's-length and good faith negotiations, the Joint Venture, the Borrowers, other Borrower Affiliates, LBHI, and LCPI have each entered into the Release Agreement, subject to the Court's approval.

15. The terms of the Release Agreement are the product of good-faith, arms'-length negotiations among the parties thereto. On July 1, 2010, in connection with obtaining the requisite internal approvals at Lehman, a memorandum was submitted to the Real Estate Group outlining the Release Agreement and certain alternatives, such as LBHI and LCPI purchasing the Mezz B Senior Note in order to remain a controlling lender. Following a review and comment period, the Real Estate Group approved entry into the Release Agreement. I believe that the terms of the Release Agreement are overall more favorable than other available alternatives.

16. Accordingly, as Co-Head of the Real Estate Group, I have concluded in my considered business judgment, that the Release Agreement provides the best framework for protecting and maximizing the value of LCPI's interest in the Mezz B Junior Note.

I declare under penalty of perjury under the laws of the United States that the foregoing is true and correct to the best of my knowledge.

Executed on this 16th day of August, 2010.



Jeffrey Fitts